Wisconsin Department of Revenue
Division of Research and Policy
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SHARED REVENUE UTILITY PAYMENTS

Public utilities are generally exempt from local property taxes and taxed instead by the state under Chapter 76 of the statutes. Utility shared revenue payments help municipalities and counties pay for the services they provide to tax-exempt utility property. The payments are also viewed as partial compensation for "disamenities" such as air pollution, noise, traffic congestion, and limitations on land use that are created by certain types of utility property.

During the 2003-04 biennium, several changes were made to how utility shared revenues are calculated, effective with payments in 2005. This paper discusses the "old" formula in effect through 2004 and the "new" formula.

Old Formula

Under the "old" formula, utility shared revenue payments were a first draw on the general shared revenue appropriation. The payment consisted of three components, as follows:

Component 1: Ad Valorem Payment

This component was based on the "net book value" of "qualifying property" for "eligible utilities". The total payment was 9 mills on "net book value". For property in a town, the town was paid 3 mills and the county was paid 6 mills. For property in a village or city, the village or city was paid 6 mills and the county was paid 3 mills. The total value of "qualifying property" in a municipality could not exceed $125 million per utility company or, for a property owned by two or more utilities, $125 million for that property.

"Net book value" was the original cost of the property minus depreciation. For regulated entities, depreciation was calculated as prescribed by the Wisconsin Public Service Commission (generally on a straight-line basis) except that depreciation for nuclear electric generating plants excluded funds set aside for decommissioning. For non-regulated entities, depreciation was to be reported on a straight-line basis, similar to what would have been required if they were regulated.

"Qualifying property" included production plant, substations, and general structures, but excluded the land on which such property was located. For an electric utility, production plant consisted of generating station property such as structures and improvements; boilers, reactors, reservoirs, dams, waterways, fuel holders; engines, prime movers, generating equipment; and accessory equipment. For a gas utility, production plant consisted of peak-shaving facilities (where propane or some other gas is mixed with air at times of peak load). For electric utilities, substation (facilities that connect the local distribution lines to the electric transmission system) property included structures, improvements, and measuring equipment. For gas utilities, substation (facilities that connect the local distribution lines to interstate gas transmission pipelines) property included structures, improvements, and measuring equipment. For both gas and electric utilities, general structures included office buildings, garages, maintenance facilities, and related structures.

"Eligible utilities" included: (1) private companies that produce, transmit, or distribute electricity or gas in more than one municipality; (2) electric cooperatives; (3) municipal utilities (for the property located outside the municipality that owns the utility) (4) municipal electric association projects (multi-municipal entities that own electric plants and/or purchase and transmit electric power); and (5) qualified wholesale electric companies (entities that sell 95% or more of their power at wholesale and have a total generating capacity of 50 megawatts or more).

For payment purposes, a municipality's net book value could not be less than its net book value as of December 31, 1989, excluding the value of property removed since that date. In addition, if qualifying utility property was annexed, the municipality that lost the property continued to receive payments. The first year's payment after annexation equaled the payment attributable to the annexed property. The payment was reduced to $0 in equal amounts over the next five-years.

Component 2: Spent nuclear fuel storage

A payment of $50,000 was made to any municipality and any county in which spent nuclear fuel was stored on December 31 of the prior year. If the nuclear fuel storage facility was located within one mile of another municipality or county, the municipality or county where the fuel was stored received $40,000 and the nearby municipality or county received $10,000.

Component 3: Minimum payment

The payment to a municipality or county with an electric generating plant having a rated capacity of 200 megawatts or more could not be less than $75,000.

For municipalities, payments under the ad valorem and minimum payments could not exceed $300 per capita. For counties, payments under the ad valorem and minimum payments could not exceed $100 per capita. The limits were calculated using current (payment) year population data. (Population estimates are developed by the Wisconsin Department of Administration.)

Payments under the "old" formula payments had been made for several years through 2001. Although "old" formula payments were calculated for 2002 and 2003, a provision of 2001 Act 16 effectively suspended using these calculations for purposes of determining actual payments. The amounts actually paid in 2002 equaled 101% of payments in 2001, and the amounts actually paid in 2003 equaled 101% of the payments in 2002. (These calculations were based on the total shared revenue payment, of which the utility payment is a portion.) Under provisions of 2001 Act 109, payments under the "old" formula were reinstated for 2004.

Total municipal and county shared revenue utility payments under the "old" formula since 1996 are shown in the Table 1.

TABLE 1
MUNICIPAL AND COUNTY SHARED REVENUE
UTILITY PAYMENTS: 1996-2004

Year	Municipal Utility Payment	County Utility Payment	Total Utility Payment
1996	$ 11,201,678	$ 11,191,967	$ 22,393,645
1997	12,034,128	11,677,494	23,711,622
1998	11,915,612	11,612,877	23,528,489
1999	12,213,717	11,894,763	24,108,480
2000	13,137,368	13,041,163	26,178,531
2001	13,911,574	14,432,596	28,344,170
2002	14,050,690(*)	15,122,179	29,172,869(*)
2003	14,191,197(*)	16,322,668	30,513,865(*)
2004	16,722,923	17,082,483	33,805,406

(*) – Formula payments for municipalities were suspended for these years. Only the county utility payment was effectively paid.

New Formula

The "new" formula" for shared revenue utility payment was enacted by 2003 Wisconsin Acts 31 and 89. The "new" formula was first used to calculate payments in 2005. The "new" formula has six components.

Component 1: Ad valorem payment

The "old" formula payment is retained for substation property, general structures, gas production plants, and electric generating stations that were in operation before January 1, 2004. The net book value of any ash disposal facility that was owned by an electric cooperative as of July 29, 2003 is doubled.

Component 2: Spent nuclear fuel storage

The "old" formula payment is retained with no changes.

Component 3: Minimum payment

The "old" formula minimum payment is retained except that it applies only to those electric generating stations that were in operation before January 1, 2004.

Component 4: Megawatt-based payment

This payment applies to electric generating plants that begin operating or are repowered (reconstructed, rebuilt, or remodeled) after December 31, 2003. The payment is $2,000 per megawatt (MW) of name-plate generating capacity. For plants in a town, one-third ($666.67) is paid to the town and two-thirds ($1,333.33) is paid to the county. For plants in a village or city, two-thirds ($1,333.33) is paid to the village or city and one-third ($666.67) is paid to the county. If a plant is in two or more municipalities or counties, the payment is shared among the municipalities or counties based on the net book value in each municipality or county as of December 31, 2004, or the date the plant becomes operational, whichever date is later.

Component 5: Incentive Payments

Power plants that qualify for the megawatt-based payment may also qualify for incentive payments. Incentive payments are in addition to megawatt-based payments. A power plant may qualify for one, two, or all three incentive payments.

For a non-nuclear powered plant with a name-plate capacity of at least 1 MW that is built on the site of or adjacent to an existing power plant, a decommissioned power plant, or a brownfield, the municipality and county receive $600 per MW.

For a power plant with a name-plate capacity of at least 50 MW that is the PSC classifies as a base load plant (meaning it is expected to operate at least 60% of the time), the municipality and county receive a payment of $600 per MW.

For a power plant with a name-plate capacity of at least 1 MW that derives its some or all of its energy from a renewable source, the municipality and county receive a payment of $1,000 per MW prorated to reflect the percentage of energy used that comes from renewable sources . For a power plant with a name-plate capacity of at least 1 MW that is a cogeneration facility, the municipality and county receive a payment of $1,000 per MW. If a power plant qualifies for both payments, the cogeneration payment takes precedence.

If a production plant that qualifies for incentive payments is located in two or more municipalities or counties, the incentive payments are shared among the municipalities and counties based on the net book value in each municipality or county as of December 31, 2004, or the date the plant becomes operational, whichever date is later.

Component 6: Per capita limit

The total payment from the ad valorem, minimum payment, and megawatt-based components of the "new" formula may not exceed $300 per capita for municipalities and $100 per capita for counties. Payments under the spent nuclear fuel storage and incentive payment components are exempt from this limit.

Initial payments under the megawatt-based and incentive payments are made in the year after the plant becomes operational. Thus, if a plant that begin operation or is repowered in 2005, the first megawatt-based and incentive payments for that plant will be made in 2006.

Payments under the "new" formula utility shared revenue formula are made from two appropriations. Payments under the ad valorem, spent nuclear fuel storage, and minimum payment components (about equal to payments under the "old" formula) are made from the appropriation under sec. 20. 835 (1) (d) – Shared revenue account. Payments under the megawatt-based and incentive portions of the "new" formula are paid from s. 20.835 (1) (dm) – Public utility distribution account.

Utility payments for 2005 are estimated to be as follows:

Payment	Counties	Municipalities	Total
Ad valorem, nuclear storage, and minimum payments	$ 15,945,320	$ 15,775,190	$31,720,510
Megawatt-based	836,667	473,333	1,310,000
Incentives	394,200	394,200	788,400
Total	$ 17,176,187	$ 16,642,723	$ 33,818,910

Utility payments for 2006 are estimated to be as follows:

Payment	Counties	Municipalities	Total
Ad valorem, nuclear storage, and minimum payments	$ 15,857,904	$ 15,673,901	$31,531,805
Megawatt-based	2,500,000	2,000,000	4,500,000
Incentives	871,200	871,200	1,742,400
Total	$ 19,229,104	$ 18,545,101	$ 37,774,205

Municipalities and counties are notified of their estimated payment for the coming year on or about September 15 of the year before the payment is made. Payments are distributed as follows: 15% of the estimated payment is distributed on the fourth Monday in July, and the remaining 85% is paid on the third Monday in November. Any adjustments to the payment (due to corrections in value, megawatts, or population) will be made on the third Monday in the following November.

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